

PPC Ltd  
(Incorporated in South Africa)  
(Company registration number: 1892/000667/06)  
JSE and ZSE Code: PPC  
ISIN: ZAE000170049  
("PPC" or the "Company")

**FIRM INTENTION OFFER BY FAIRFAX AFRICA INVESTMENTS PROPRIETARY LIMITED TO MAKE A  
CONDITIONAL PARTIAL OFFER TO ACQUIRE ORDINARY SHARES OF PPC, NOTIFICATION OF  
OTHER THIRD PARTY INDICATIVE PROPOSALS TO COMBINE WITH PPC, AND RENEWAL OF PPC  
CAUTIONARY ANNOUNCEMENT**

**1. INTRODUCTION**

- 1.1 Shareholders are referred to the announcement published on SENS on 25 August 2017, in terms of which shareholders were notified of the termination of the heads of terms entered into between AfriSam Group Proprietary Limited ("AfriSam") and PPC in respect of a potential merger between the two companies. That announcement also noted that, notwithstanding such termination, AfriSam had indicated to PPC that it intended to submit a new proposal regarding a possible merger of the two companies.
- 1.2 Further to that announcement, shareholders are hereby advised that on 1 September 2017, Fairfax Africa Investments Proprietary Limited ("Fairfax"), on behalf of a subsidiary to be nominated by Fairfax (the "Offeror"), delivered to the board of directors of PPC ("the Board") a letter ("Firm Intention Letter"), indicating that the Offeror has a firm intention to make a partial offer to acquire ordinary shares representing a value of R2 billion of the issued ordinary stated capital of PPC, at an offer price of R5.75 per ordinary share of PPC ("the Partial Offer"). One of the conditions precedent to the Partial Offer becoming effective is that shareholders of PPC approve a proposal to give effect to a merger between PPC and AfriSam, further details of which are set out below. Fairfax has participated with AfriSam in the latest engagement with PPC.
- 1.3 The purpose of this announcement is to:
- 1.3.1 set out the background to the Partial Offer, and to advise PPC shareholders of the terms and conditions of the Partial Offer, in compliance with Regulation 101 of the Companies Regulations, 2011 ("Companies Regulations"); and

1.3.2 notify shareholders that that the Board has also received indicative proposals from two other trade bidders, each in respect of potential pan-African combination with PPC ("Indicative Proposals").

## 2. **INDEPENDENT BOARD**

2.1 The Partial Offer constitutes an "affected transaction" for purposes of section 117(1)(c) of the Companies Act, 2008 (the "Companies Act") and is accordingly regulated by the Companies Act and Companies Regulations, and the Takeover Regulation Panel ("the TRP").

2.2 Accordingly, in accordance with Regulation 108 of the Companies Regulations, PPC has constituted an independent board (the "Independent Board") to consider the terms and conditions, and the merits, of the Partial Offer and the transactions contemplated by it as well as the Indicative Proposals.

## 3. **IDENTITY OF THE OFFEROR**

Fairfax has indicated in the Firm Intention Letter that the Offeror is a subsidiary of Fairfax Africa Holdings Corporation ("Fairfax Africa"), which is an investment holding company listed on the Toronto Stock Exchange ("TSX") under the symbol "FAH.U", with a market capitalisation of over USD600 million and approximately USD400 million of investable cash. Fairfax Africa's controlling shareholder, Fairfax Financial Holdings Limited, is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax Financial Holdings Limited is listed on the TSX under the symbol "FFH".

## 4. **SALIENT TERMS OF THE OFFER**

The Firm Intention Letter contemplates a Partial Offer on the terms and conditions set out below:

### 4.1 **Nature of Offer and Mechanics**

Fairfax has indicated in the Firm Intention Letter that:

4.1.1 the Offeror intends to offer to acquire ordinary shares representing a value of R2 billion of the issued and outstanding ordinary stated capital of PPC (the "Offer Shares") held by all shareholders of PPC other than management and any shareholders who are not entitled to dispose of their shares ("Eligible PPC Shareholders"); and

4.1.2 the Offeror proposes to acquire the Offer Shares on a proportionate basis from those Eligible PPC Shareholders who accept the Partial Offer, and Eligible PPC Shareholders will be entitled to sell additional shares to the Offeror in addition to their proportionate share if the other Eligible PPC Shareholders do not accept the Partial Offer or accept the Partial Offer for a lesser proportion than their full entitlement.

#### 4.2 **Consideration Offered**

Fairfax has indicated in the Firm Intention Letter that the acquisition consideration offered by the Offeror is R5.75 per ordinary share of PPC, payable in cash for a total offer consideration of R2 billion ("Offer Consideration").

#### 4.3 **Conditions to the posting of the circular to PPC Shareholders**

Fairfax has indicated in the Firm Intention Letter that the posting of the Partial Offer circular ("Offer Circular") to PPC Shareholders is subject to the fulfilment of the conditions that, by no later than 3 October 2017:

4.3.1 the Board has retained an independent expert in terms of the Companies Act and the Companies Regulations, and such expert has prepared and issued a report concerning the Partial Offer confirming that the Partial Offer is fair and reasonable;

4.3.2 the Board recommends to Eligible PPC Shareholders that they accept the Partial Offer; and

4.3.3 to the extent applicable, the approval of the JSE and the TRP for the posting of the Offer Circular has been obtained.

#### 4.4 **Conditions to the Partial Offer**

Fairfax has indicated in the Firm Intention Letter that the Partial Offer must be subject to fulfilment of the following conditions precedent on or before 31 December 2017:

4.4.1 shareholders of PPC approving the proposal to give effect to a merger between PPC and AfriSam (and PPC and AfriSam passing all requisite resolutions to give effect to the merger, subject to the customary regulatory processes) in terms of which PPC will acquire all of the

issued shares in AfriSam in exchange for an issue of PPC ordinary shares to the shareholders of AfriSam on the following basis:

- 4.4.1.1 the merger between AfriSam and PPC occurring based on a share exchange ratio of 58 (PPC) : 42 (AfriSam), which share exchange ratio is calculated based on the following factors:
  - (i) a share price of R5.75 per PPC ordinary share;
  - (ii) AfriSam's equity value calculated on an enterprise value of R7.55 billion and net debt no greater than R866 million;
- 4.4.1.2 the recapitalisation of AfriSam by way of, amongst others, the subscription by Fairfax Africa (together with its affiliates and allied co-investors) ("Fairfax Consortium") for such number of ordinary shares in AfriSam that will equate to an issue price of R4 billion;
- 4.4.2 Eligible PPC Shareholders holding a minimum value of R1 billion in Offer Shares accepting the Partial Offer; and
- 4.4.3 in respect of the implementation of the Partial Offer, and only to the extent that same may be applicable, the approval of the competition authorities, South African Reserve Bank, the JSE, the TRP and any other relevant regulatory authorities (either unconditionally or subject to conditions acceptable to the Offeror).

## 5. **CASH CONFIRMATION**

Fairfax enclosed with the Firm Intention Letter a copy of a cash confirmation, delivered to the TRP, in the form of a bank guarantee issued by FirstRand Bank Limited (acting through its Rand Merchant Bank Division) in terms of Regulations 111(4) and 111(5) of the Companies Regulations, in the amount of R2 billion, which amount meets the maximum total consideration which may be payable in connection with the Partial Offer.

## 6. **INDICATIVE PROPOSALS**

Shareholders are advised that the Board has recently received, in addition to the Firm Intention Letter, credible Indicative Proposals from two other trade bidders, each in relation to a potential pan-African combination with PPC (one of which also includes a potential cash component), further details of which remain confidential at this stage. The Independent Board is of the view that each of the Indicative Proposals is sufficiently

credible and potentially value enhancing to shareholders to merit careful consideration and further engagement with the respective bidders.

## **7. PROCESS AND PRELIMINARY OBSERVATION**

7.1 Consistent with its fiduciary duties, the Companies Act and Companies Regulations, and in order to ensure that it is maximising possible returns for PPC's shareholders, the Independent Board is considering the merits of the Partial Offer and each of the Indicative Proposals, and intends engaging further with each such bidder in order to determine what course of action is in the best interests of PPC's shareholders. As part of the engagements with Fairfax, the Independent Board will, amongst other things, determine any additional obligations in terms of the rules governing partial offers in section 125 of the Companies Act, including whether the Partial Offer is required to be conditional on shareholder approval as contemplated in terms of section 125(3)(b).

7.2 In this regard, the Independent Board is mindful of avoiding any unduly protracted engagement with any of the bidders, and accordingly aims to be in a position to make a decision on the best way to proceed within a sensible time period.

7.3 The Independent Board will also appoint an independent expert ("Independent Expert"), as contemplated in Regulation 110 of the Companies Regulations, to provide a fair and reasonable opinion.

7.4 The Independent Board has not yet had an opportunity to fully consider the Partial Offer or the opinion of the Independent Expert. However, based on the prior extensive engagement in respect of a possible merger with AfriSam, and the Independent Board's own views regarding the underlying value of PPC, it notes, as a preliminary observation, that the offer price of R5.75 per ordinary share fundamentally undervalues PPC and, when considered in conjunction with the proposed exchange ratio, does not constitute sufficient compensation for PPC's shareholders. This is particularly so given the partial nature of the offer and the effective control that would vest in the Fairfax Consortium.

## **8. CAUTIONARY**

PPC shareholders are accordingly advised to continue exercising caution when dealing in securities of the Company until such time as a further announcement is made.

9. **RESPONSIBILITY STATEMENT**

The PPC Independent Board accepts responsibility for the information contained in this firm intention announcement to the extent that it relates to PPC or reflects or summarises the position set out in the Firm Intention Letter, accepts full responsibility for the accuracy of such and certifies that, to the best of its knowledge and belief, the information contained in this firm intention announcement is true and nothing has been omitted which is likely to affect the importance of the information.

Sandton

4 September 2017

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Joint Financial Advisor to PPC

Identity Advisory (Pty) Ltd

Independent Advisor to the Board of PPC

The Standard Bank of South Africa Limited

Legal Advisor to PPC

Bowmans